



# TELENOR GROUP

## Fourth quarter 2018

Sigve Brekke, CEO

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The comments in the presentation are related to Telenor's development in the fourth quarter of 2018 compared to the fourth quarter of 2017 and accounting standards as of 31 December 2017, unless otherwise stated. Outlook for 2019 is given on the IFRS 15 accounting standard.

# Highlights - Fourth quarter and full year 2018

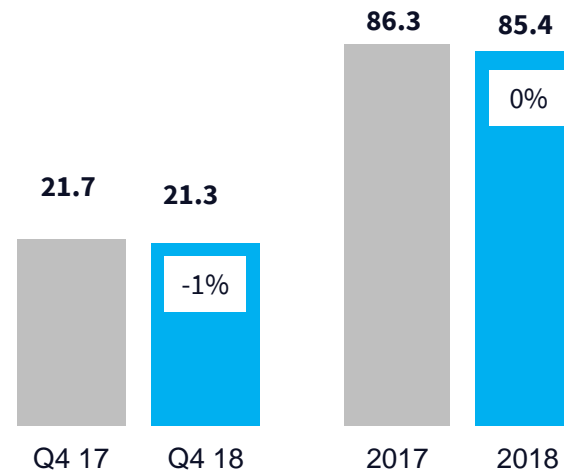
## Q4 2018

- › Continued robust performance in Scandinavia
- › Strong growth in Bangladesh and Pakistan
- › Material network upgrades in Thailand, while market position remains challenging

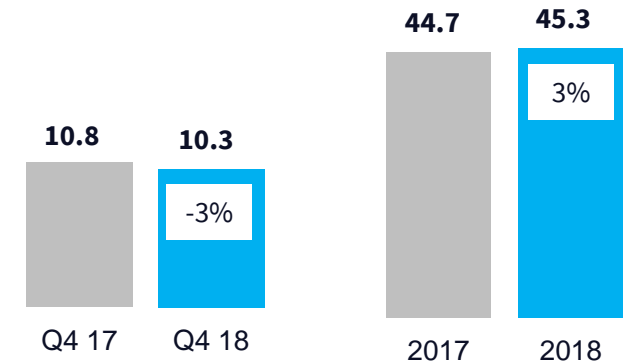
## Full year 2018

- › NOK 1.2 billion (3%) net opex reductions
- › 5% underlying EBITDA growth
- › Attractive shareholder remuneration

### Subscription and traffic revenues



### EBITDA



Financials in NOK bn. Organic growth rates. Revenue growth in subscription and traffic revenues. EBITDA before other items



# Step by step delivering on financial ambitions towards 2020

	2017	2018	2019/2020
Organic growth (subscription & traffic revenues)	2.4%	0.2%	Low single digit
Opex reduction	3.3%	3.0%	1-3%
Capex to sales	15.4%	15.2%	~15%

Subscription & traffic revenues from mobile, fixed and TV services, incl. Canal Digital DTH. Org. revenue growth in fixed currency, adj. for acquisitions and disposals. EBITDA before other items. Capex excl. spectrum and licence fees. Current Group structure and accounting standards as of 31 December 2017.



# Continued robust performance in Scandinavia

## Norway

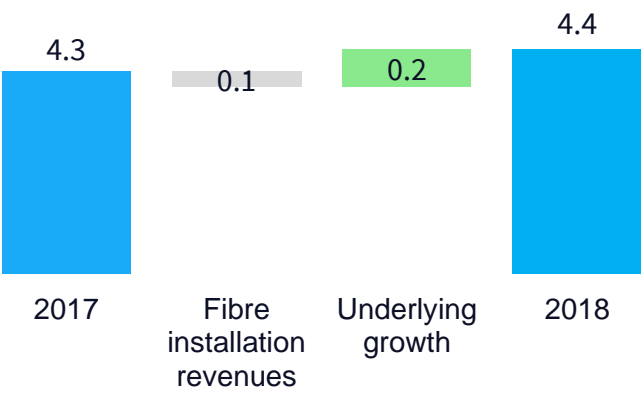
EBITDA (NOK bn)



- > 3% underlying EBITDA growth in 2018 (5% underlying opex reduction in Q4)
- > Increased visibility of underlying development in 2019

## Sweden

EBITDA (SEK bn)



- > 6% underlying EBITDA growth in 2018
- > Second consecutive quarter with strong subscriber intake in both B2B and consumer.

## Denmark

EBITDA (DKK bn)



- > 27% organic EBITDA growth in 2018
- > Continued strong momentum on efficiency gains, 10% opex reduction in 2018



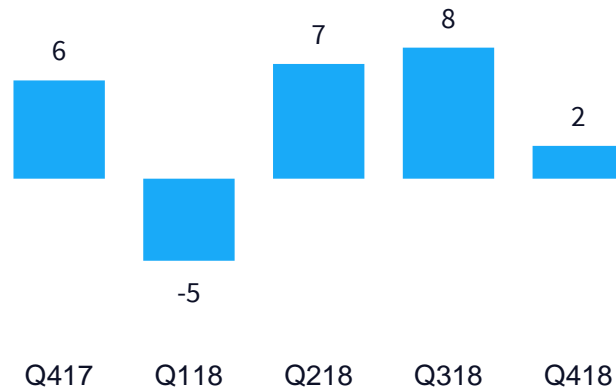
# Solid fibre momentum and continued postpaid growth in Norway

## Fibre roll-out



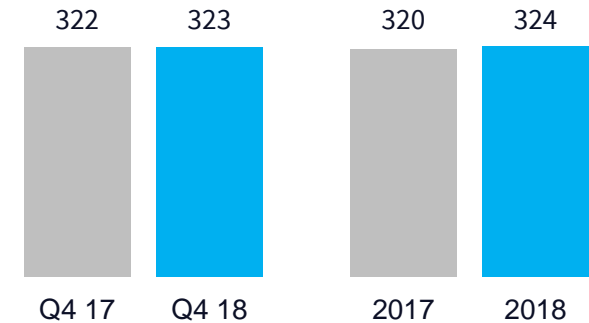
- > 15,000 new fibre connections in Q4, strongest quarterly additions since launch
- > Total fibre subscriber base of 232,000

## Postpaid subscriber growth ('000)



- > Postpaid growth of 6,000 in Q4 excl. data cards
- > Flexi tariffs now constituting +10% of consumer base

## Mobile ARPU growth (NOK)



- > 3% ARPU growth in 2018 excl. impact from special numbers regulation and the shift in handset sales from subsidy to installments (SWAP programme)



# Stepping up the infrastructure modernisation in Norway

Replacing copper with fibre and fixed wireless solutions

Accelerating fibre roll-out and preparing for 5G

Decommissioning copper network within 4 years

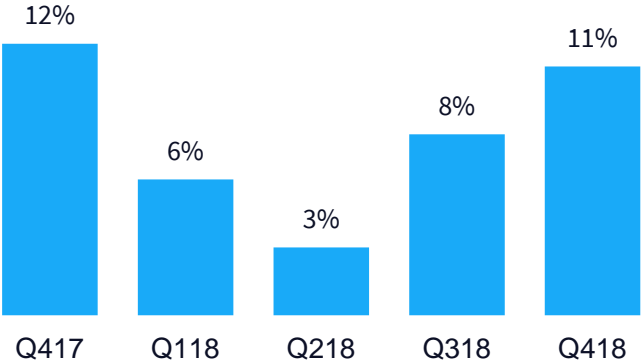
Roadmap for copper decommissioning mid-2019



# Double-digit revenue growth in Pakistan and Bangladesh, continued pressure in Myanmar

## Bangladesh

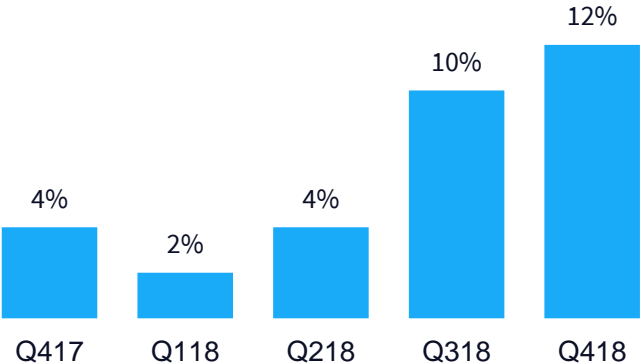
Organic subscription and traffic revenue growth



- > 11% year on year growth in subscriptions
- > Active data users reached 51%
- > EBITDA margin of 62% and 14% EBITDA growth

## Pakistan

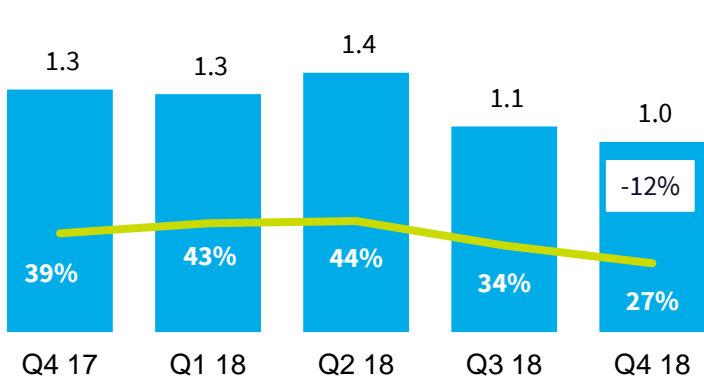
Organic subscription and traffic revenue growth



- > 51% EBITDA margin and 15% EBITDA growth
- > 0.6 million new subscribers in Q4

## Myanmar

Subs. and traffic revenues NOK bn and EBITDA margin



- > Resilient ARPU despite new price regulation from September
- > Low customer losses in December

□ Organic growth in subscription and traffic revenues





# Thailand: Accelerated 2.3 GHz roll-out, continued challenging market position

## Network

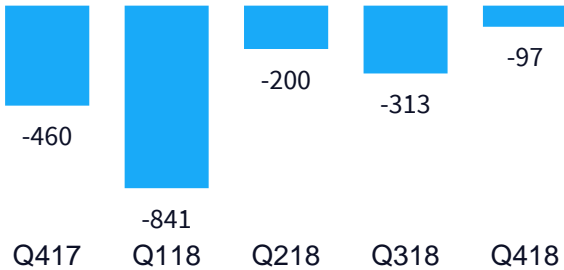
Accumulated sites with 2.3 GHz equipment



- > 2.3 GHz installed on 6,800 sites in Q4, reaching 12,700 end of year
- > Densified 2.1 GHz network with 7,900 base stations

## Customers

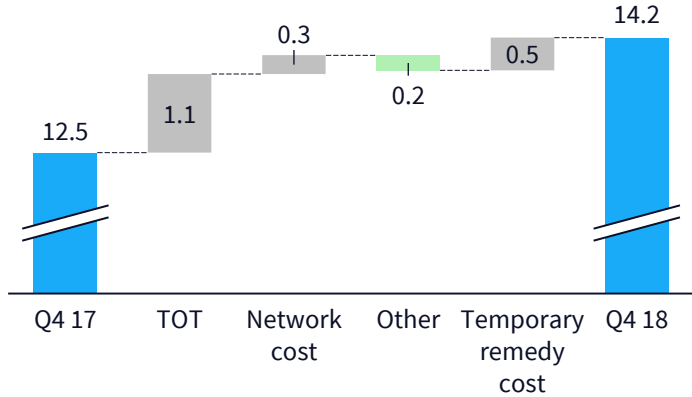
Subscriber development



- > Lowest subscriber loss in 3 years
- > ARPU remains stable as prepaid loss is offset by postpaid growth

## Financial performance

Total cost base THB bn (Cogs + opex)

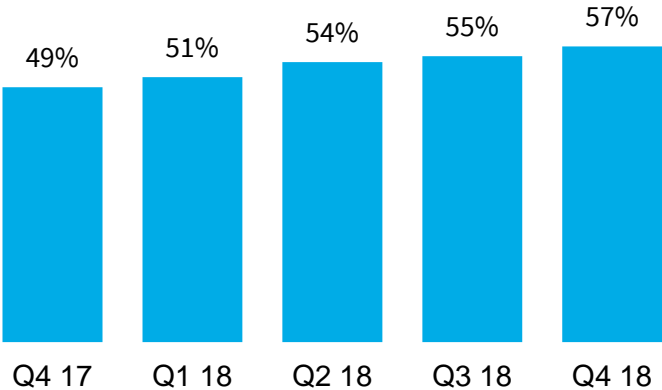


- > 5% decline in subscription & traffic revenues
- > EBITDA margin of 29% excluding temporary remedy cost



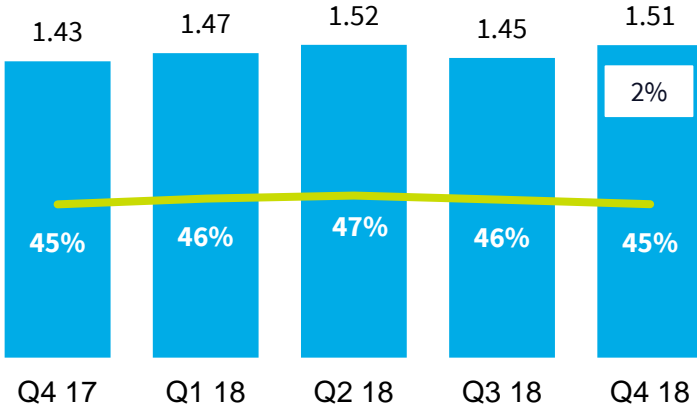
# Solid results and progress on digital transformation in Malaysia

## Internet % of subs & traffic revenues



- > 14% organic growth in Internet revenues
- > 2% decline in subs. & traffic revenues, driven by decline in legacy revenues

## EBITDA (NOK bn) & EBITDA margin (%)



- > Stable EBITDA margin and 2% organic growth in EBITDA, supported by postpaid growth and efficiency initiatives

## Driving digital transformation



- > 3 million active MyDigi users (+20% yoy)
- > Digital distribution: Enabled mobile data management feature on Android devices



# Modernising Telenor



**Infrastructure**

**Corporate structure**

**Competencies**

**Customer journeys**





## Priorities for 2019

- › Back to growth in Thailand and Myanmar
- › Strengthen positions within Internet of Things and the Business segment
- › Continue to drive digital transformation, structural efficiency and further simplification
- › Modernise infrastructure, including 5G readiness, and fibre roll-out in Norway





# TELENOR GROUP

## Fourth quarter 2018

Jørgen C. Arentz Rostrup, CFO

# Highlights - Fourth quarter and full year 2018

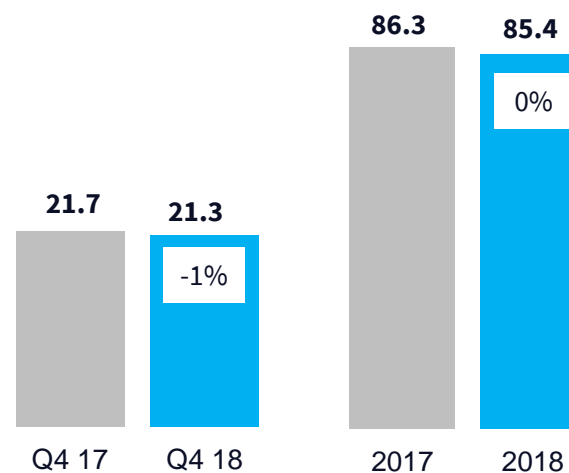
## Q4 2018

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- > Strong growth in Bangladesh and Pakistan
- > Material network upgrades in Thailand, while market position remains challenging

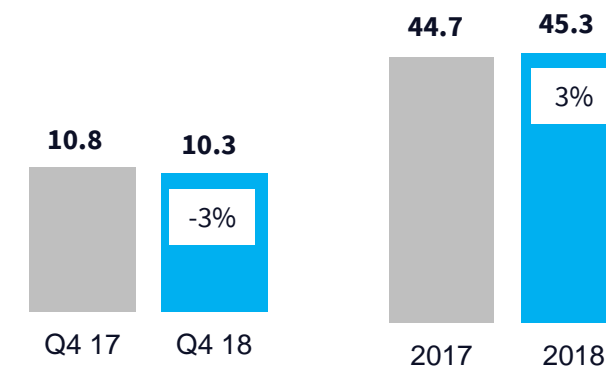
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- > Attractive shareholder remuneration

## Subscription and traffic revenues



## EBITDA

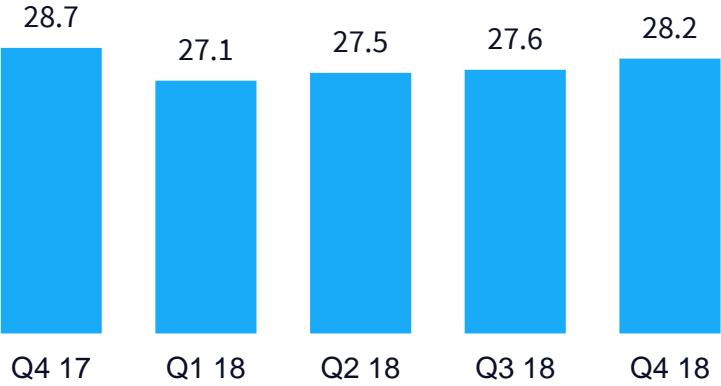


Financials in NOK bn. Organic growth rates. Revenue growth in subscription and traffic revenues. EBITDA before other items



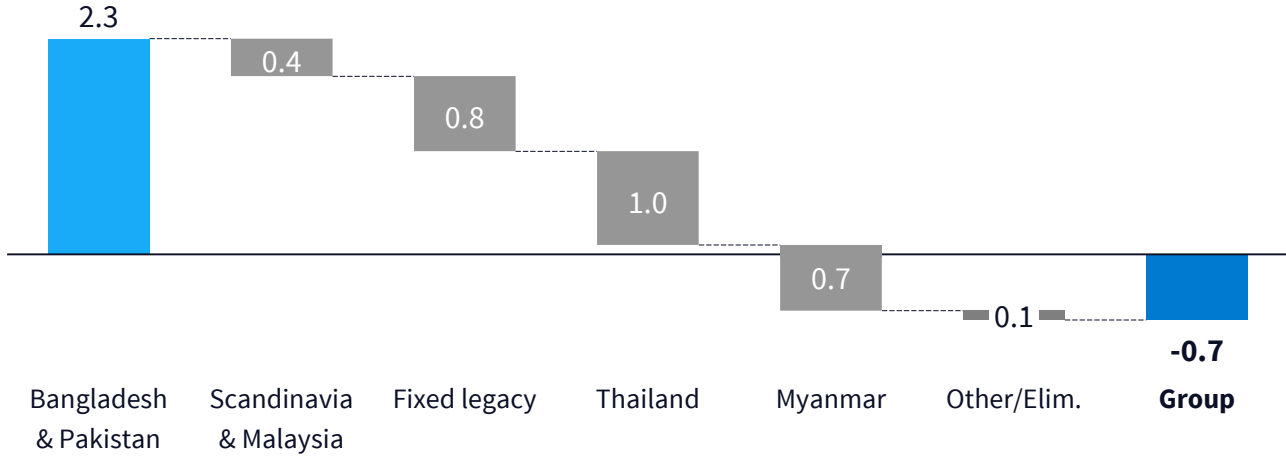
# Revenues softened by Thailand, Myanmar, and fixed legacy services

**Total revenues (NOK bn)**



- > Reported revenues decreased by 2%
- > FX adjusted revenues remained stable

**Organic subscription & traffic revenues growth (%)**



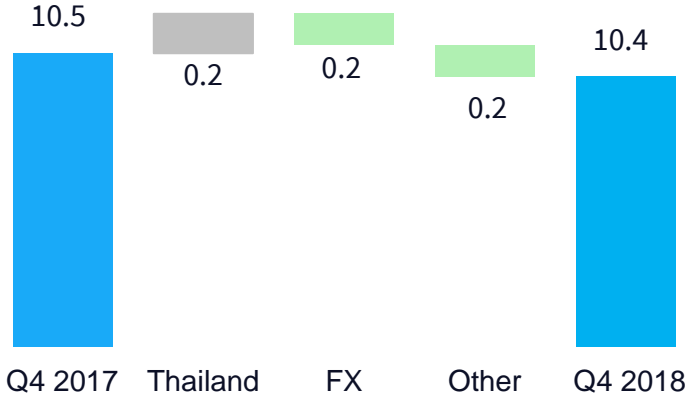
- > Strong growth in Bangladesh and Pakistan
- > 1% organic growth excluding Myanmar and Thailand

Organic growth rate. Subscription & traffic revenues defined as revenues from mobile subscription & traffic, fixed internet & TV, retail telephony, data services and DTH



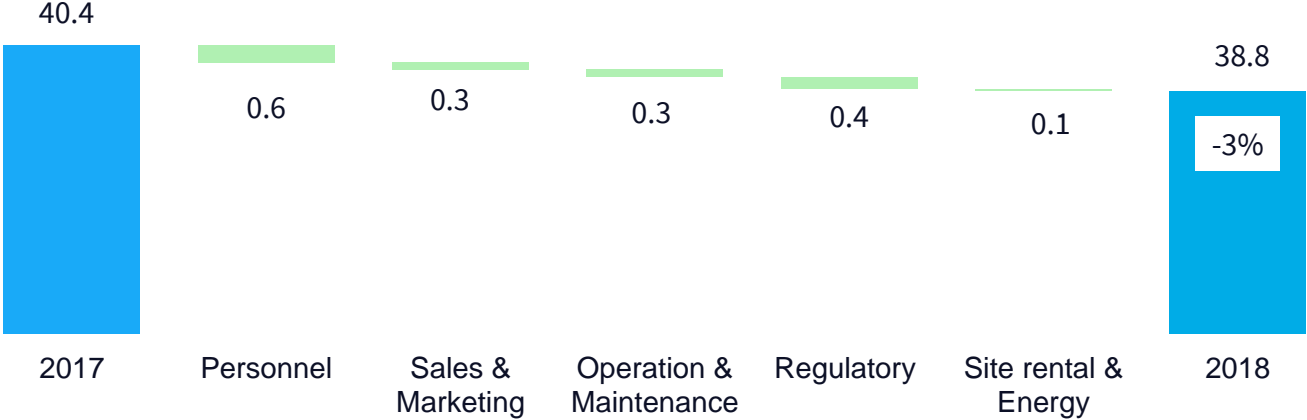
# Net opex reductions in 2018 of NOK 1.2 bn (-3%)\*

**Opex (NOK bn)**



> Opex increase in Thailand primarily from temporary remedy cost

**Opex reductions in 2018 by cost area (NOK bn)**



> Opex reductions within all major cost areas

\*FX adjusted



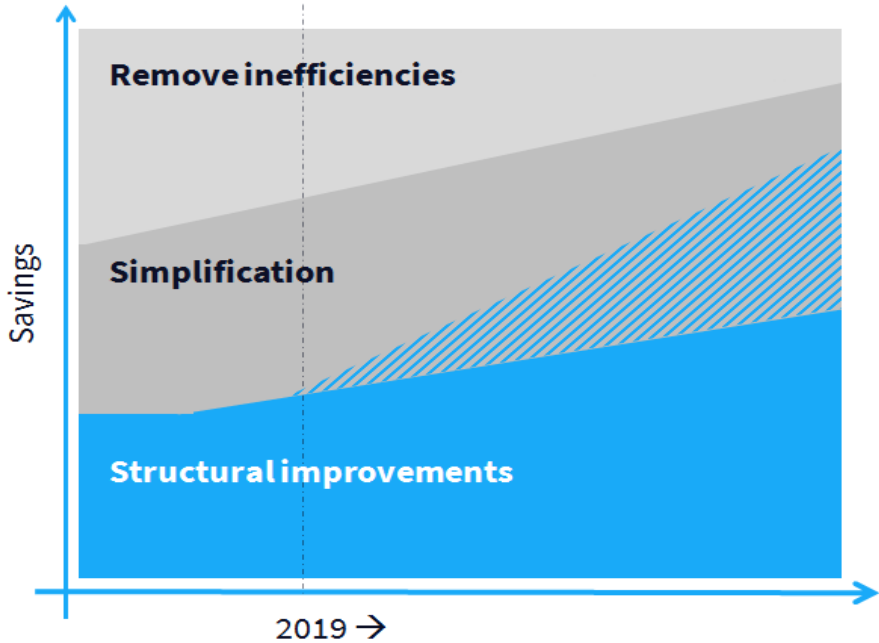


# Strong opex performance in 2017 and 2018, maintaining ambitions of 1-3% yearly reductions for 2019 and 2020

## Opex reductions vs ambitions

	Ambition	Actual	
2017	Flat	3.3%	✓
2018	1-3%	3.0%	✓
2019	1-3%		
2020	1-3%		

## Shift in sources of cost savings going forward





# Firming up structural modernisation initiatives towards 2023

- › Around 40 initiatives identified, across all business units
- › Addressing around 50% of total opex base
- › Clear models for governance, execution and follow-up
- › Update on roadmap for copper sunsetting mid-2019
- › Reviewing tower infrastructure assets

Copper sunsetting  
(Norway)  
**NOK ~1.2 bn**  
**addressable cost base**

Technology  
(Network & IT)  
**NOK 0.5-1.0bn**  
**potential savings**

Digital sales &  
distribution  
**> NOK 500 m**  
**potential savings**

Customer service  
(Scandinavia)  
**> NOK 500 m**  
**potential savings**

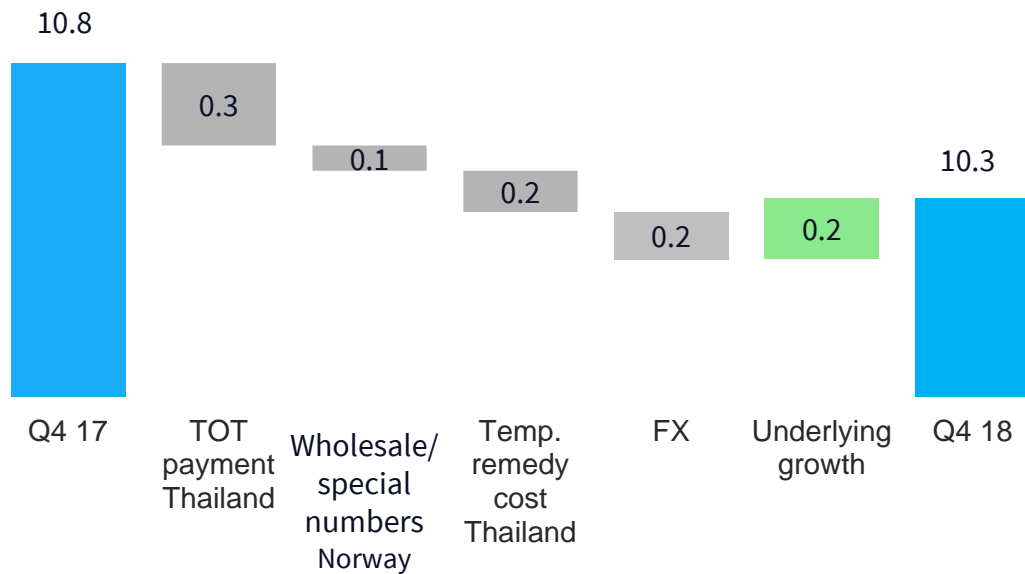
**Potential  
savings  
NOK  
2.5 - 3.5 bn**

*In addition, substantial savings from continuous improvements and prioritisation*



# 5% underlying EBITDA growth in 2018

## Q4 EBITDA (NOK bn)



## 2018 EBITDA (NOK bn)

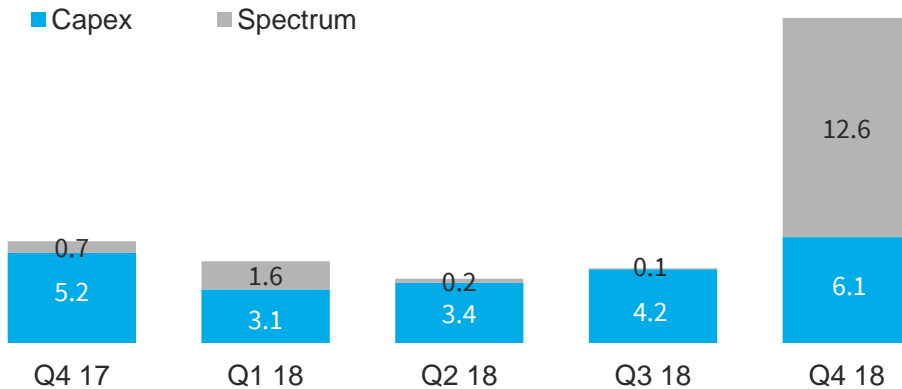


One time items 2018 vs 2017 : reversal Pakistan & Global Wholesale and remedy cost in Thailand



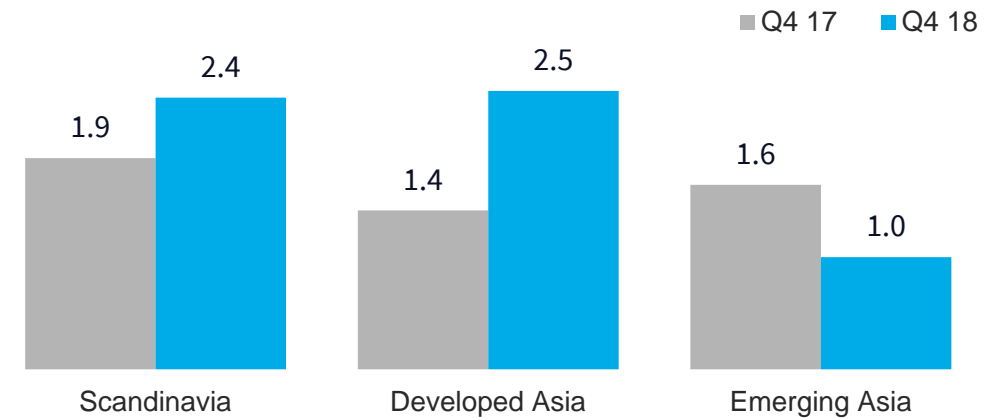
# Capex driven by spectrum acquisitions and network roll-out in Thailand, and fibre in Norway

Capex (NOK bn)



- > Spectrum acquisitions in Q4 2018: 900 and 1,800 MHz in Thailand, 700 Mhz in Sweden and 900 MHz in Myanmar.
- > Full year capex to sales excluding spectrum of 15%

Capex ex. licences (NOK bn) – by region



- > High roll out speed on 2,300 MHz network in Thailand – ended the year at 12,700 sites.
- > Increased speed on fibre roll out in Norway. 15,000 new connections in Q4



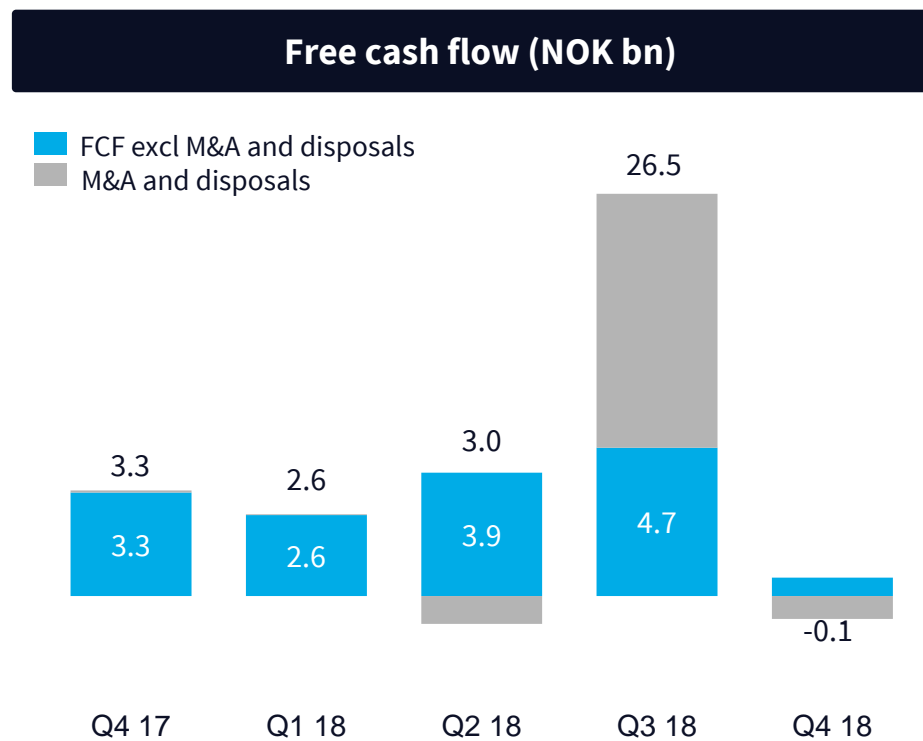
# Net income of NOK 14.6 billion for 2018, EPS of NOK 9.93

NOK m	Q4 2017	Q4 2018	2017	2018	2018 (IFRS15)	Impact of IFRS 15
Revenues	28,678	28,171	112,069	110,396	110,362	-34
EBITDA before other items	10,813	10,338	44,694	45,319	45,451	+132
Other items	(371)	(2,391)	134	(3,204)	(3,204)	
EBITDA	10,442	7,946	44,828	42,115	42,247	
Depreciation & amortization	(5,636)	(4,203)	(20,454)	(20,160)	(20,160)	
Operating profit	4,806	3,743	24,374	21,955	22,088	+133
Associated companies	(20)	(101)	(4,617)	(82)	(82)	
Net financials	(1,267)	(3,115)	(152)	(3,159)	(3,153)	
Taxes	(919)	(654)	(6,491)	(6,161)	(6,179)	-18
Profit (loss) from discontinued operations	307	1,641	1,784	4,800	4,773	-27
Minorities	681	337	2,915	2,728	2,711	-17
<b>Net income - Telenor equity holders</b>	<b>2,226</b>	<b>1,177</b>	<b>11,983</b>	<b>14,626</b>	<b>14,731</b>	+105
Earnings per share (NOK)	1.49	0.81	7.99	9.93	10.00	+0.07

All figures according to accounting standard as of 31 Dec 2017 unless otherwise stated



# Free cash flow excluding M&A of NOK 12 bn in 2018



NOK bn	Q4 2017	Q4 2018	2017	2018
EBITDA	10.8	10.4	44.7	45.5
Discontinued operations	1.0	-	4.3	2.4
Taxes	-2.4	-1.4	-6.1	-6.6
Net interest paid	-0.7	-0.3	-2.5	-1.5
Capex	-4.7	-5.3	-19.4	-16.8
Spectrum	-0.6	-2.1	-2.1	-4.9
M&A & disposals	0.1	-0.7	8.5	20.3
Dividends to minorities	-0.4	-0.4	-2.6	-3.1
Working cap.& other	0.1	-0.3	0.1	-3.4
<b>Free cash flow</b>	<b>3.3</b>	<b>-0.1</b>	<b>24.9</b>	<b>32.0</b>

Free cash flow to equity holders of Telenor ASA  
EBITDA before other income and expenses





# Outlook for 2019

	2019	2018	
<b>Organic growth in subscription &amp; traffic revenues</b>	<b>0-2%</b>	<b>0.9%</b>	Excluding Thailand
<b>Organic EBITDA growth</b>	<b>1-3%</b>	<b>5.5%</b>	Excluding Thailand
<b>Capex excl. licences (NOK bn)</b>	<b>16-17 bn</b>	<b>16.8 bn</b>	Including Thailand

In Thailand, dtac aims to get back to growth in 2019, and will provide an updated outlook in Q2

Subscription & traffic revenues from mobile, fixed and TV services, incl. Canal Digital DTH. Org. revenue growth in fixed currency, adj. for acquisitions and disposals. EBITDA before other items. Current Group structure and accounting standards as of 31 December 2018.

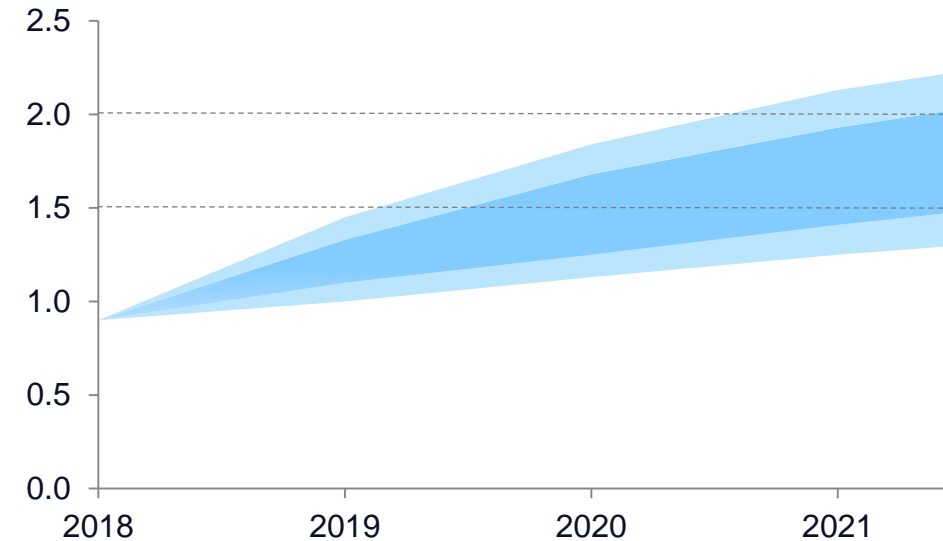


# Introducing a leverage target of 1.5-2.0x net debt / EBITDA

## Optimising capital structure

- › Replacing existing 2.0x cap with new leverage target interval of 1.5-2.0x net debt / EBITDA\*
- › Balancing cost of capital, access to funding, and strategic flexibility
- › Additional distribution through buybacks and/or special dividends, if deemed appropriate to reach target
- › Transforming target to IFRS 16 during 2019

## Net debt / EBITDA\*



\*) 12 months rolling EBITDA. Net debt excl. licence commitments





# Proposing to distribute NOK 19 bn to shareholders in 2019

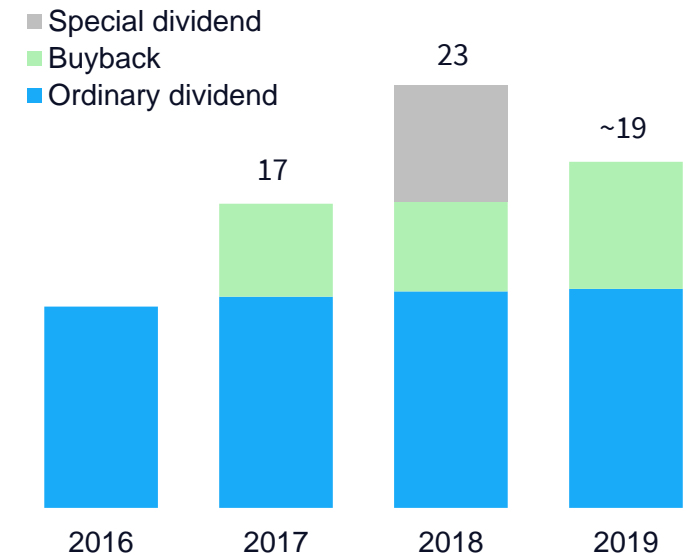
## 4% growth in ordinary dividend

- > Proposing a dividend of NOK 8.40 per share for FY 2018, for approval by AGM
- > First tranche of NOK 4.40 in May, second tranche of NOK 4.00 in October
- > Dividend yield of 5%, total payout of around NOK 12 billion

## 3% share buyback programme

- > Plan to ask the AGM for a new buyback mandate
- > 3% of shares, equal to a total distribution of around NOK 7 billion
- > Supporting the path towards the new leverage target

## Total remuneration (NOK bn)





## Priorities for 2019

- › Back to growth in Thailand and Myanmar
- › Strengthen positions within Internet of Things and the Business segment
- › Continue to drive digital transformation, structural efficiency and further simplification
- › Modernise infrastructure, including 5G readiness, and fibre roll-out in Norway





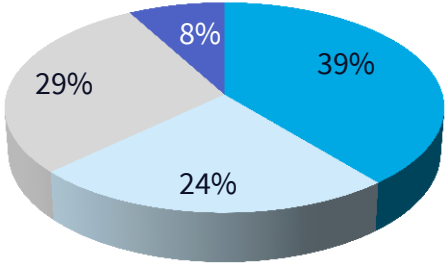
# TELENOR GROUP

## Fourth quarter 2018

### Appendix

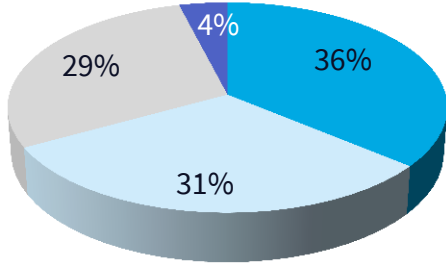
# Geographic split of key financials in 2018

**Revenues**



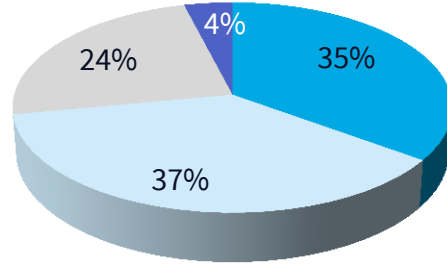
- Scandinavia
- Emerging Asia
- Developed Asia

**EBITDA**



- Scandinavia
- Emerging Asia
- Developed Asia

**EBITDA - CAPEX**

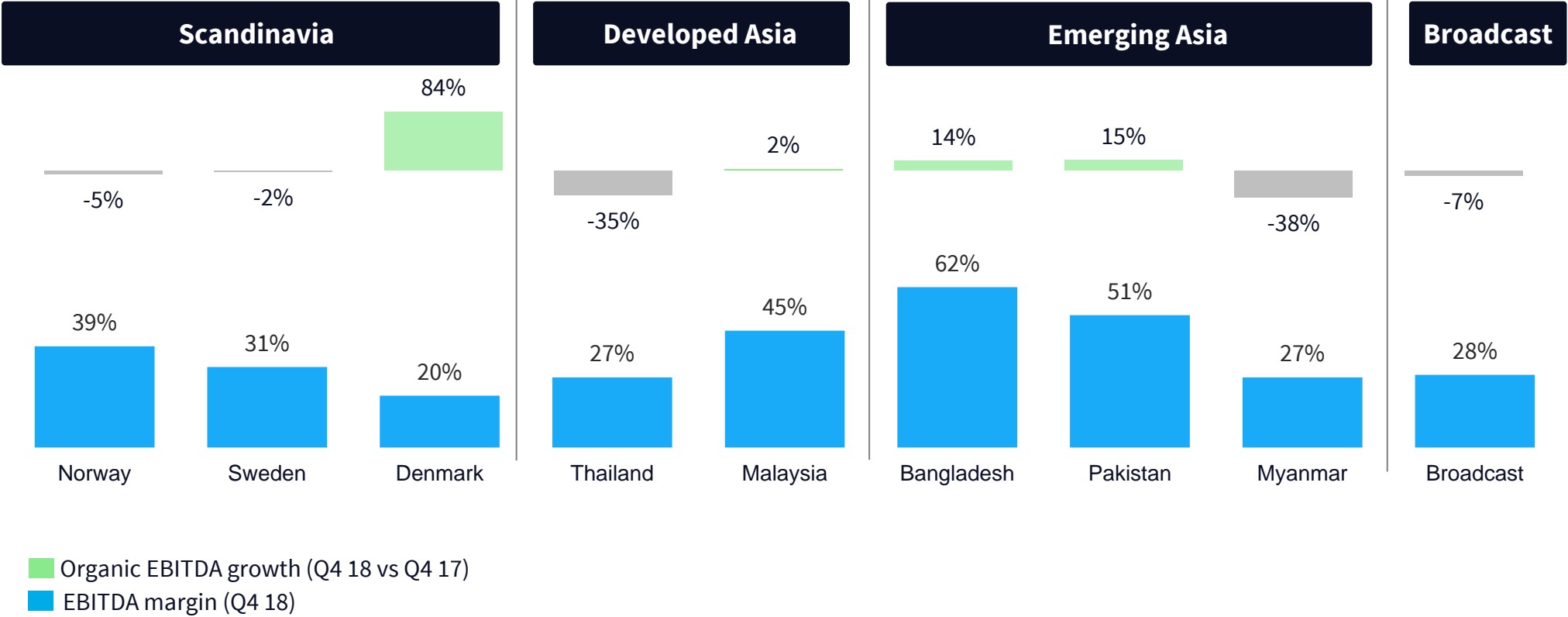


- Scandinavia
- Emerging Asia
- Developed Asia

EBITDA before other items. Capex excl. licences.

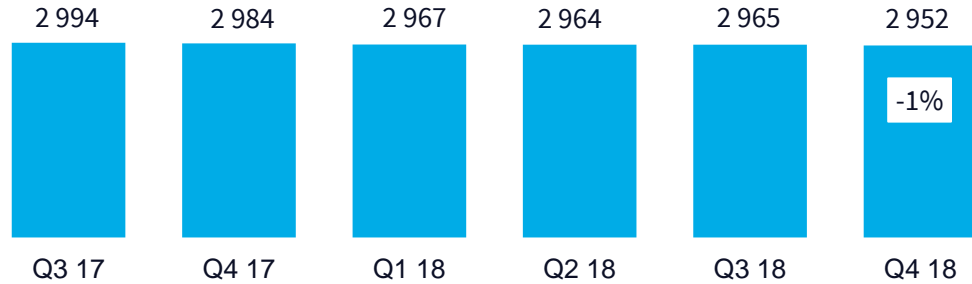


# Organic EBITDA growth

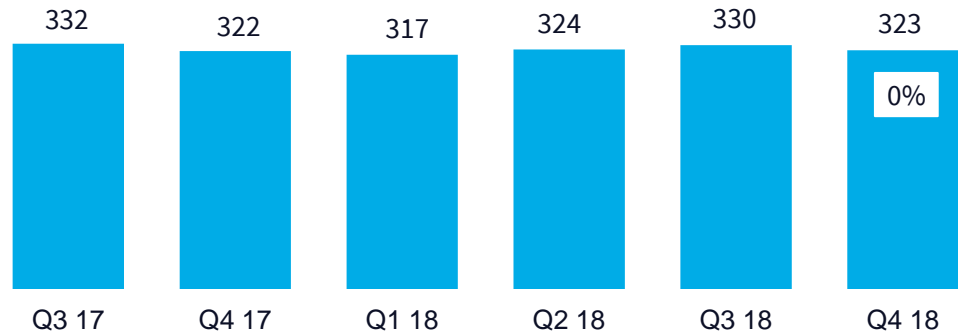


# Norway

## Mobile subscribers ('000)

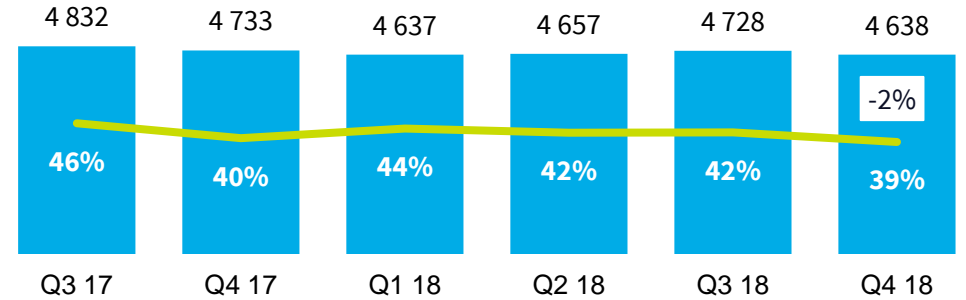


## Mobile ARPU (NOK/month)

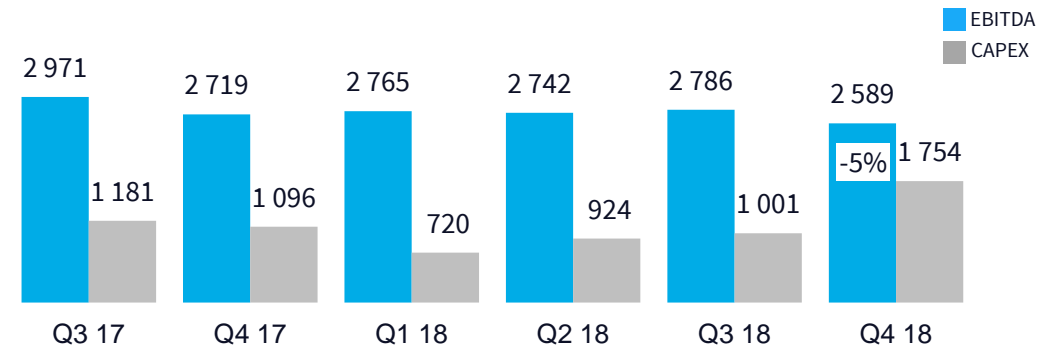


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)



Organic growth

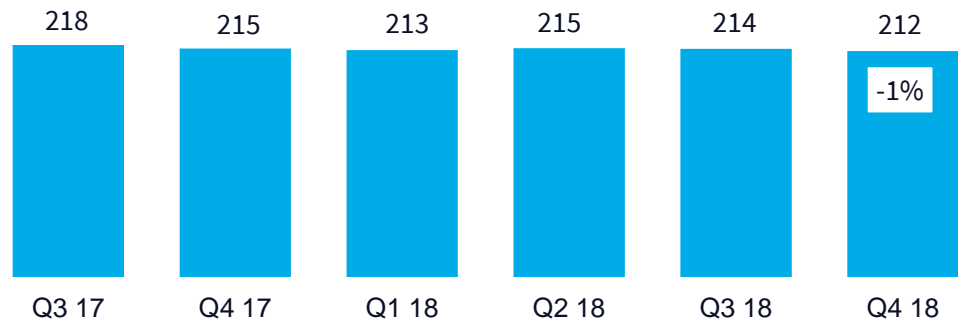


# Sweden

## Mobile subscribers ('000)

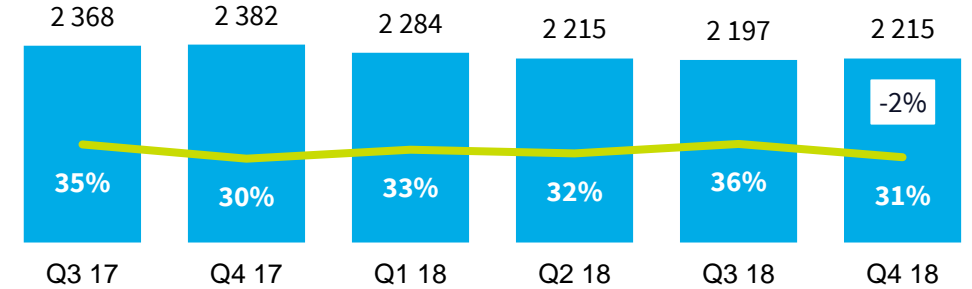


## Mobile ARPU (SEK/month)

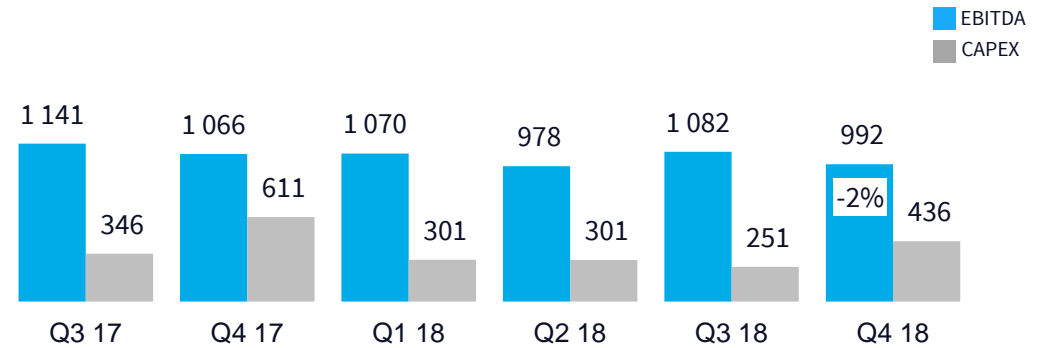


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## EBITDA and capex (NOK m)

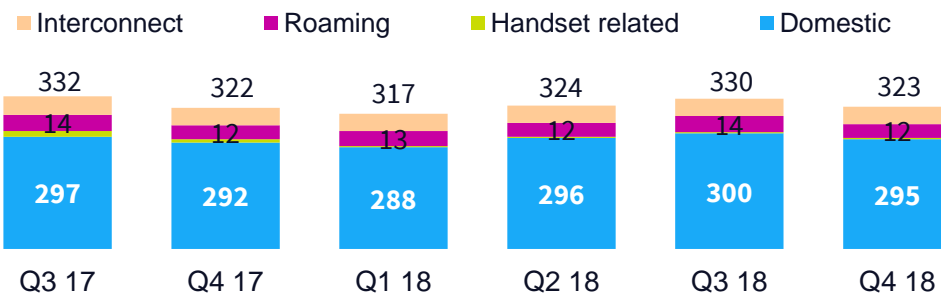


Organic growth

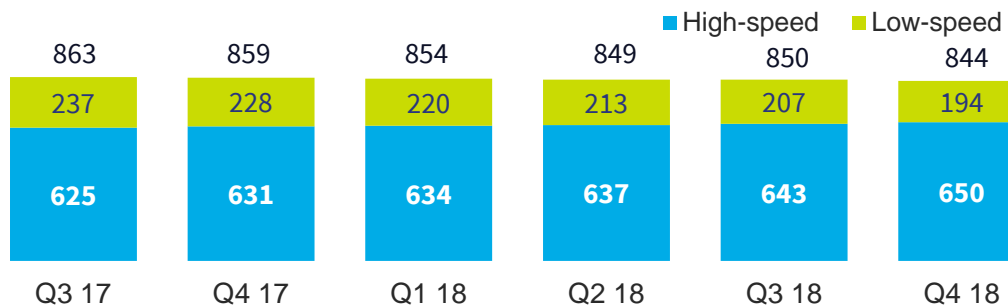


# Additional information – Norway and Sweden

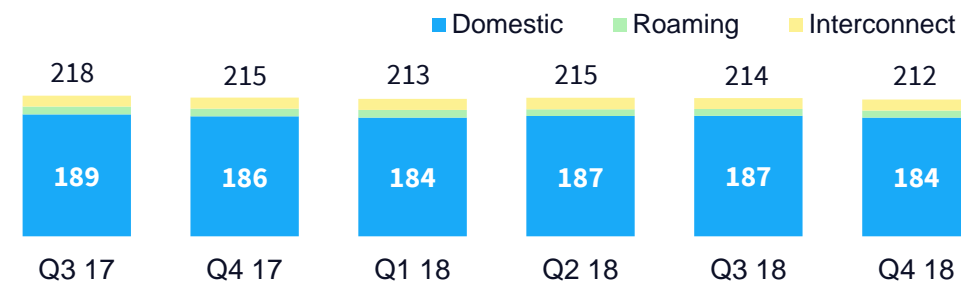
## Mobile Norway – mobile ARPU (NOK)('000)



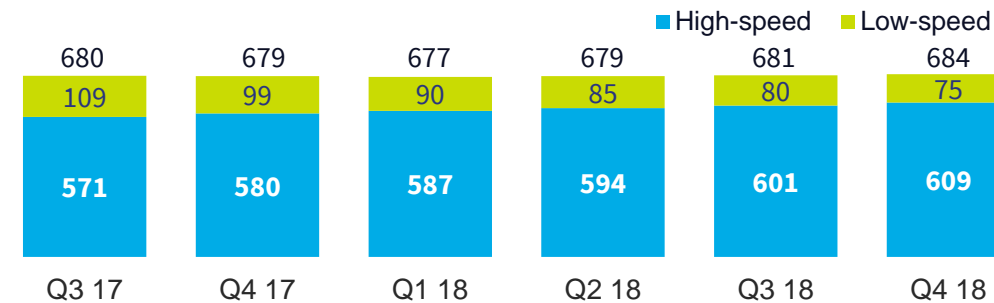
## Norway – fixed broadband subscribers ('000)



## Sweden – mobile ARPU (SEK)



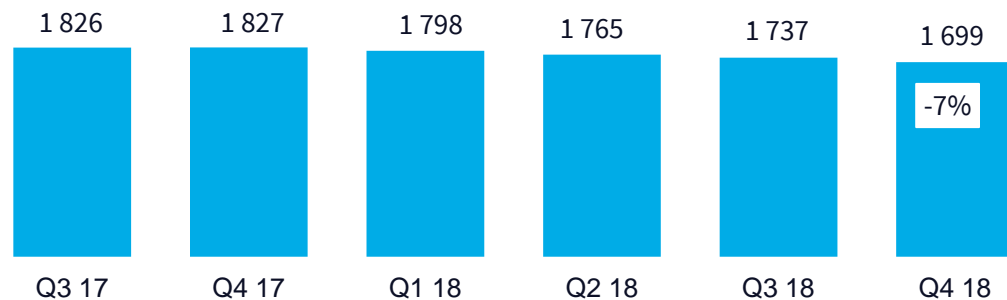
## Sweden – fixed broadband subscribers ('000)





# Denmark

## Mobile subscribers ('000)

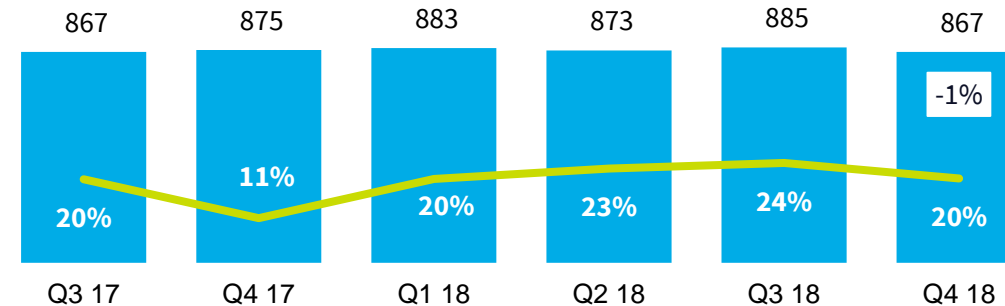


## Mobile ARPU (DKK/month)

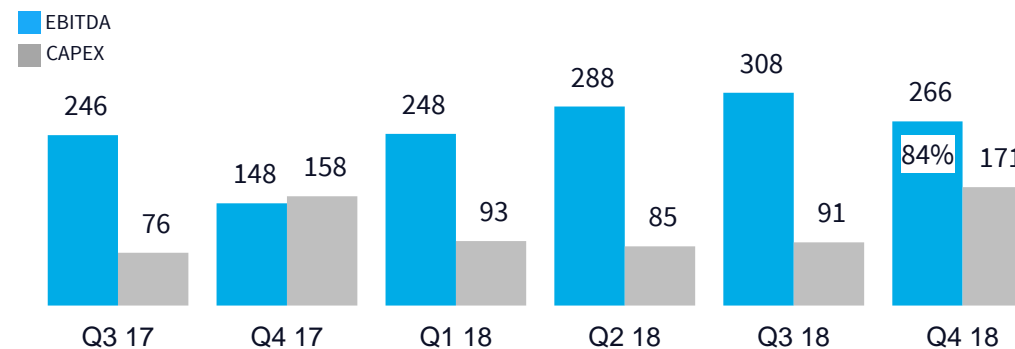


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)

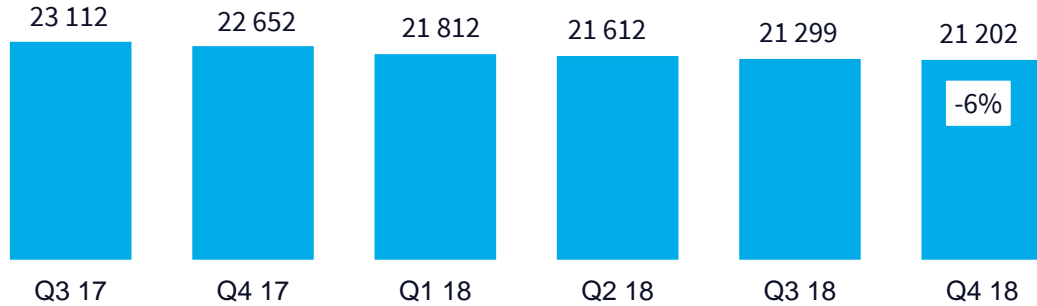


Organic growth

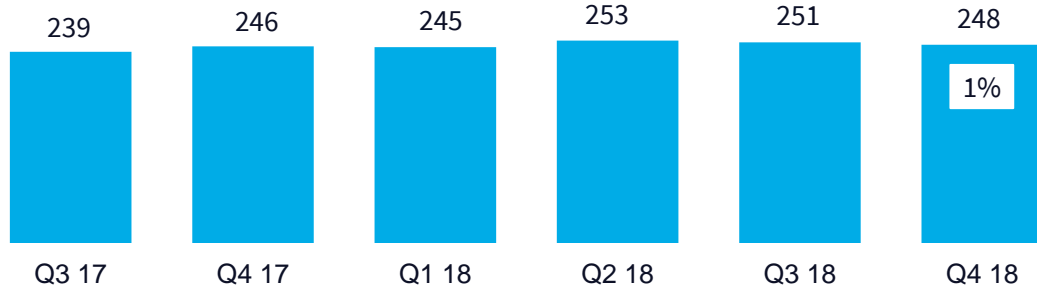


# Thailand (dtac)

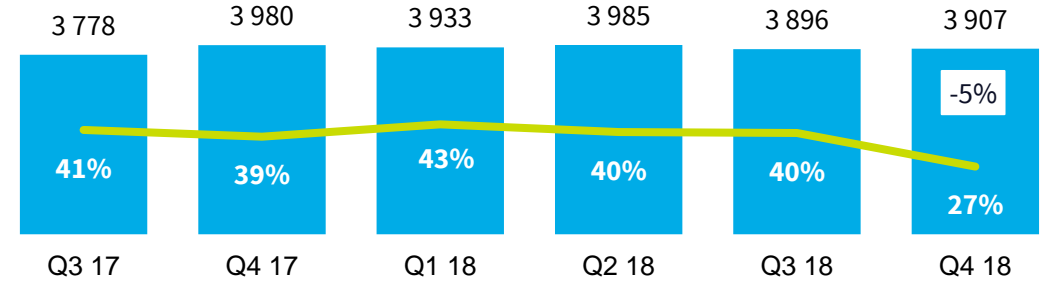
## Mobile subscribers ('000)



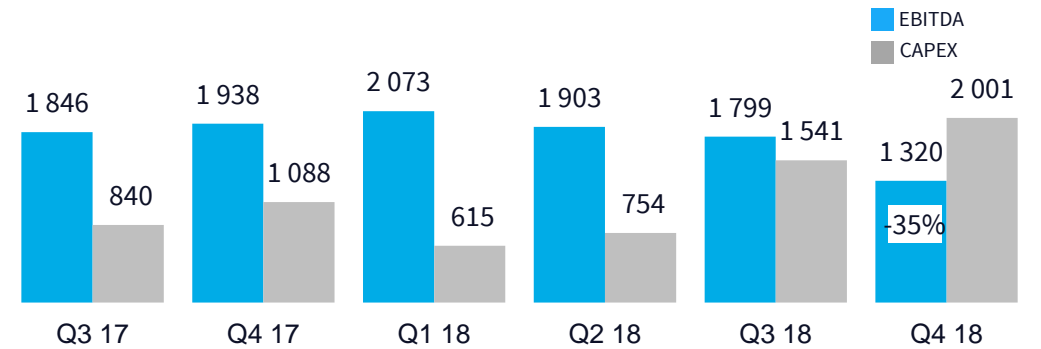
## Mobile ARPU (THB/month)



## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)



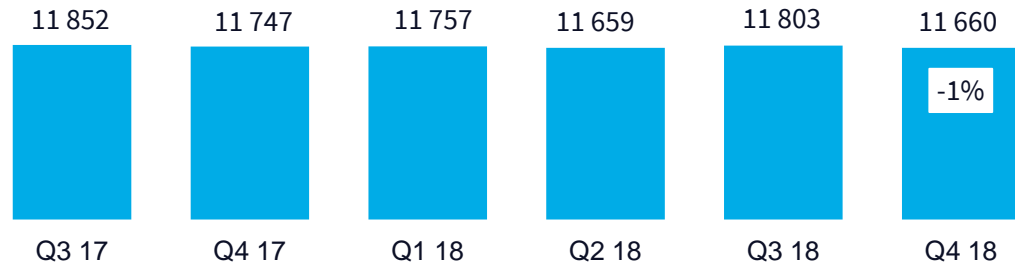
Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

Organic growth

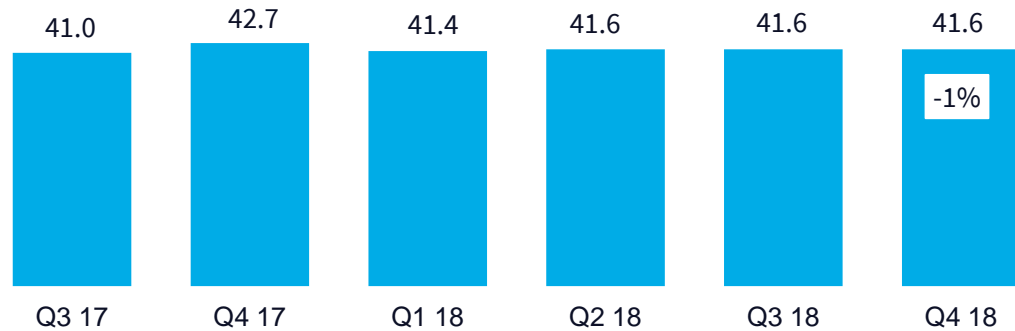


# Malaysia (Digi)

## Mobile subscribers ('000)

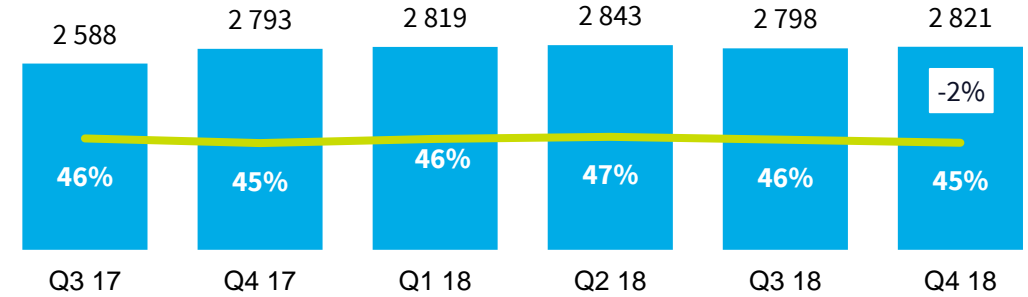


## Mobile ARPU (MYR/month)

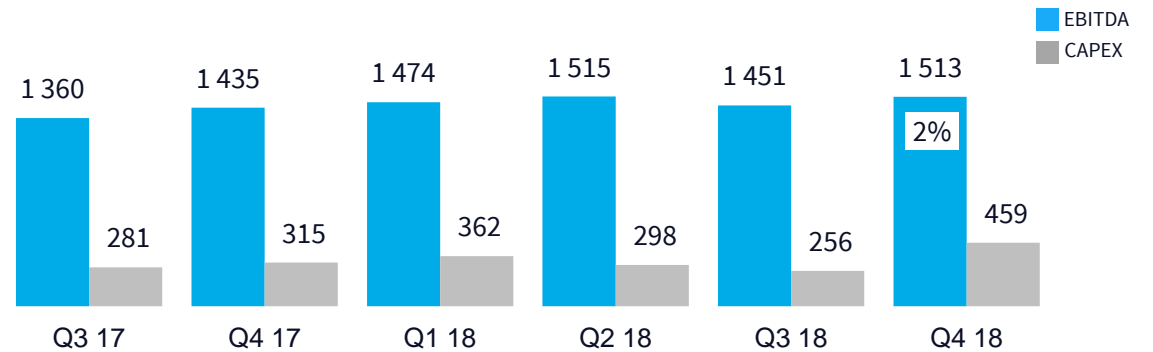


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)

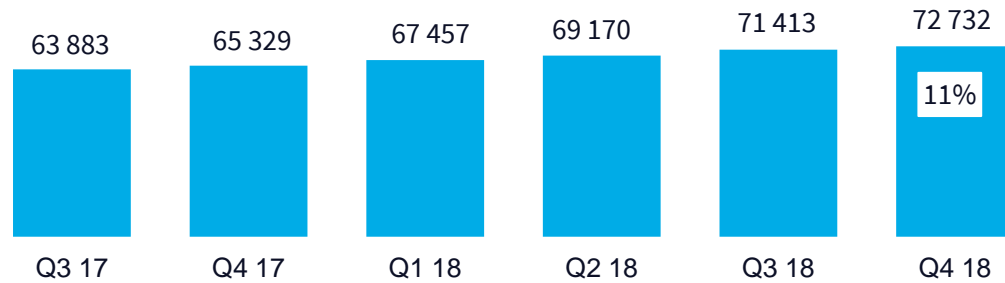


Organic growth

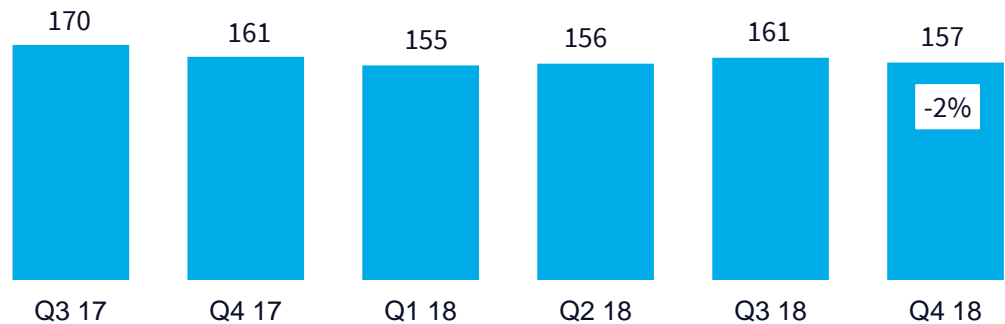


# Bangladesh (Grameenphone)

## Mobile subscribers ('000)

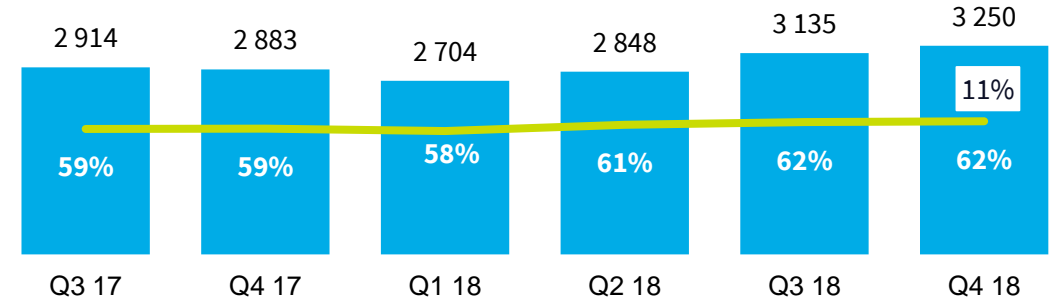


## Mobile ARPU (BDT/month)

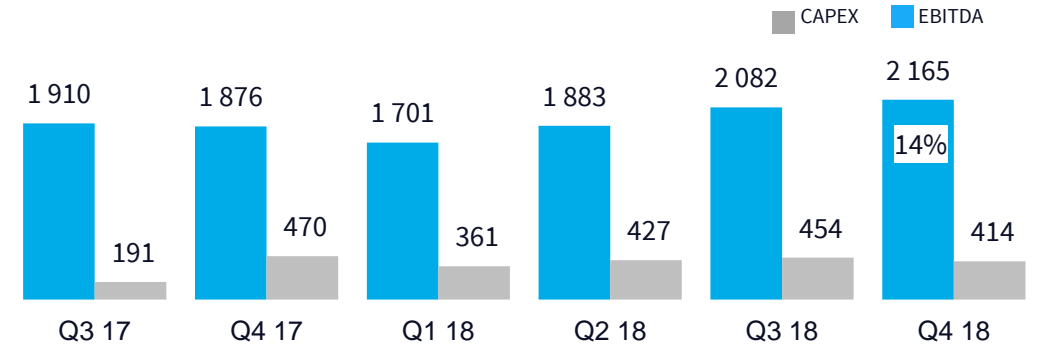


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)

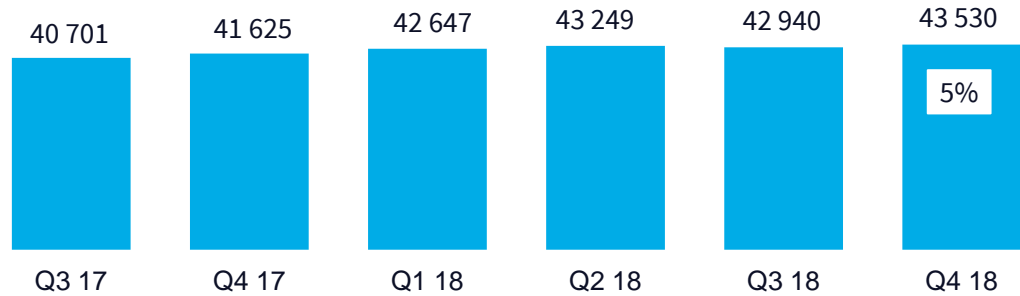


Organic growth



# Pakistan

## Mobile subscribers ('000)

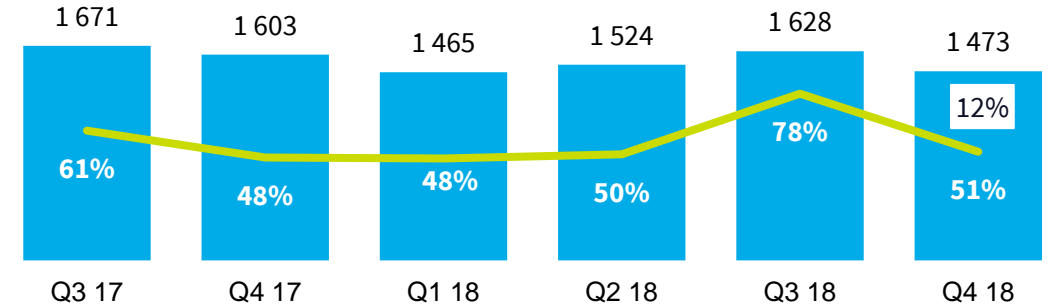


## Mobile ARPU (PKR/month)

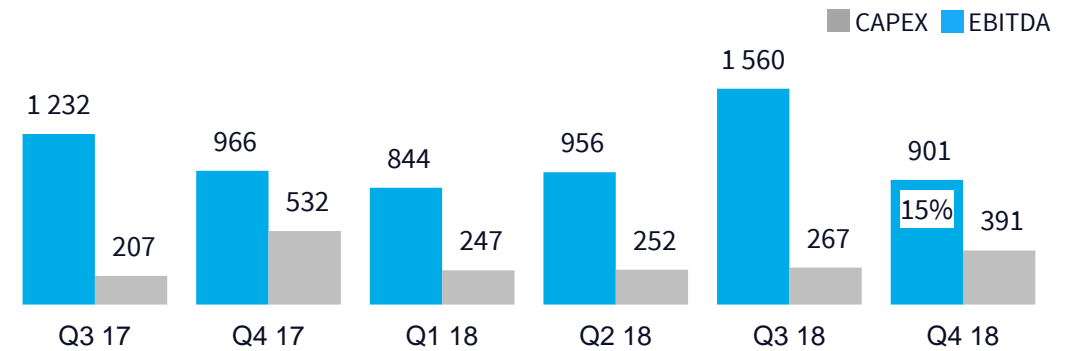


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)

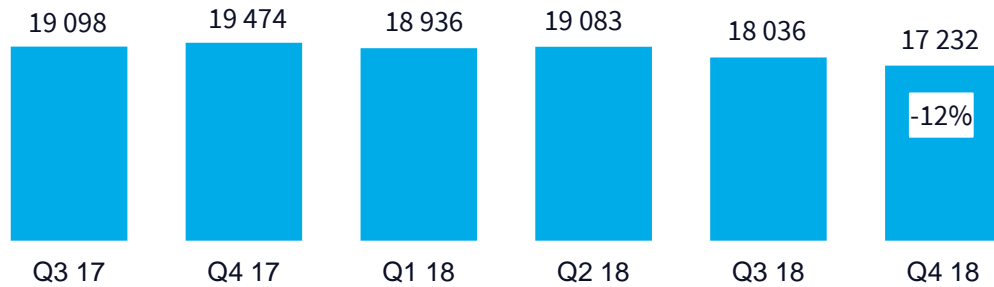


Organic growth

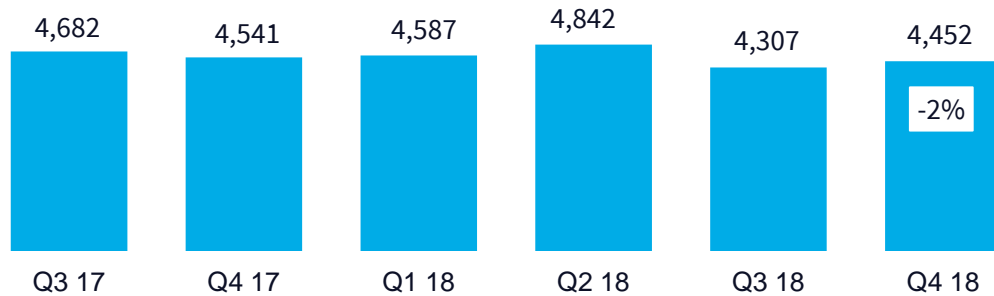


# Myanmar

## Mobile subscribers ('000)

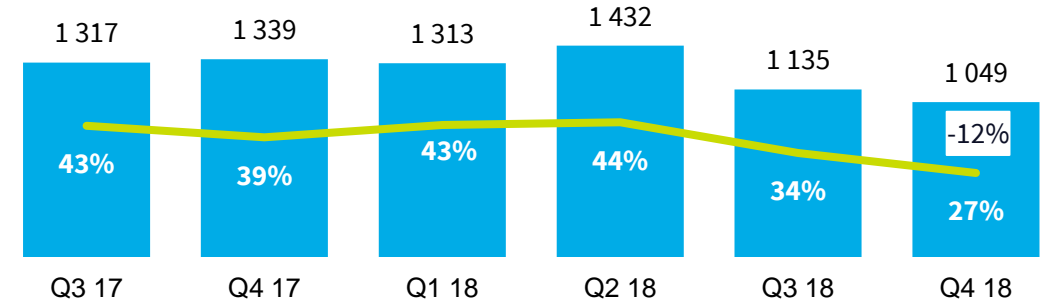


## Mobile ARPU (MMK/month)

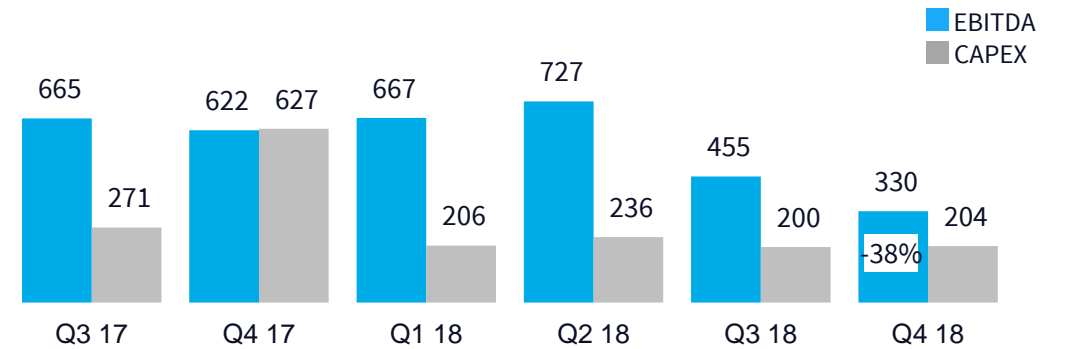


Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)



Organic growth

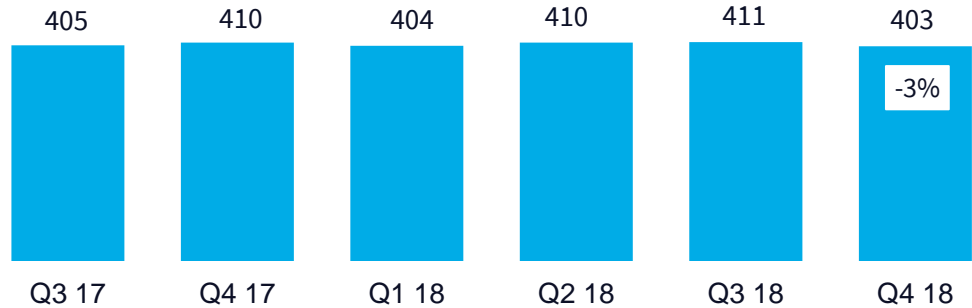


# Broadcast

## DTH subscribers ('000)

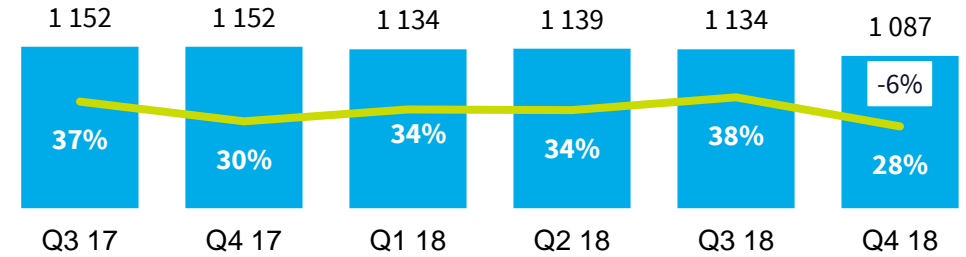


## DTH ARPU (NOK/month)

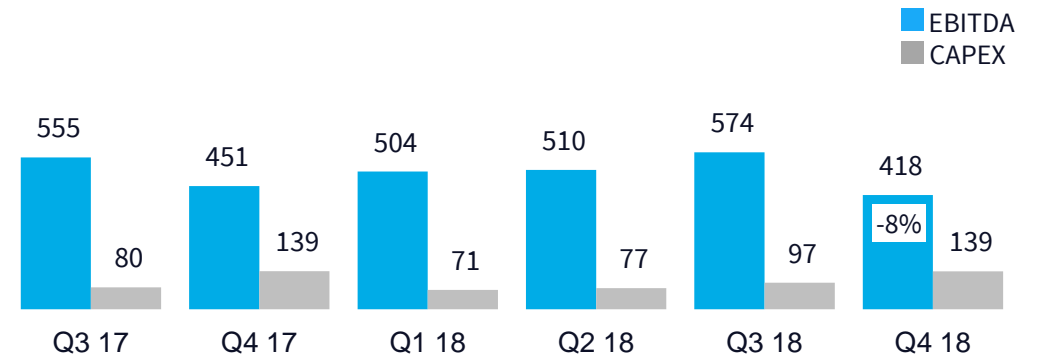


Organic growth assuming fixed currency, adjusted for acquisitions and disposals. EBITDA before other items. Capex excl. licence fees

## Subs and traffic revenues (NOK m) and EBITDA margin



## EBITDA and capex (NOK m)



Adjusted for reversals in Q3 2017 and Q3 2018

Growth



# Q4 changes in revenues and EBITDA

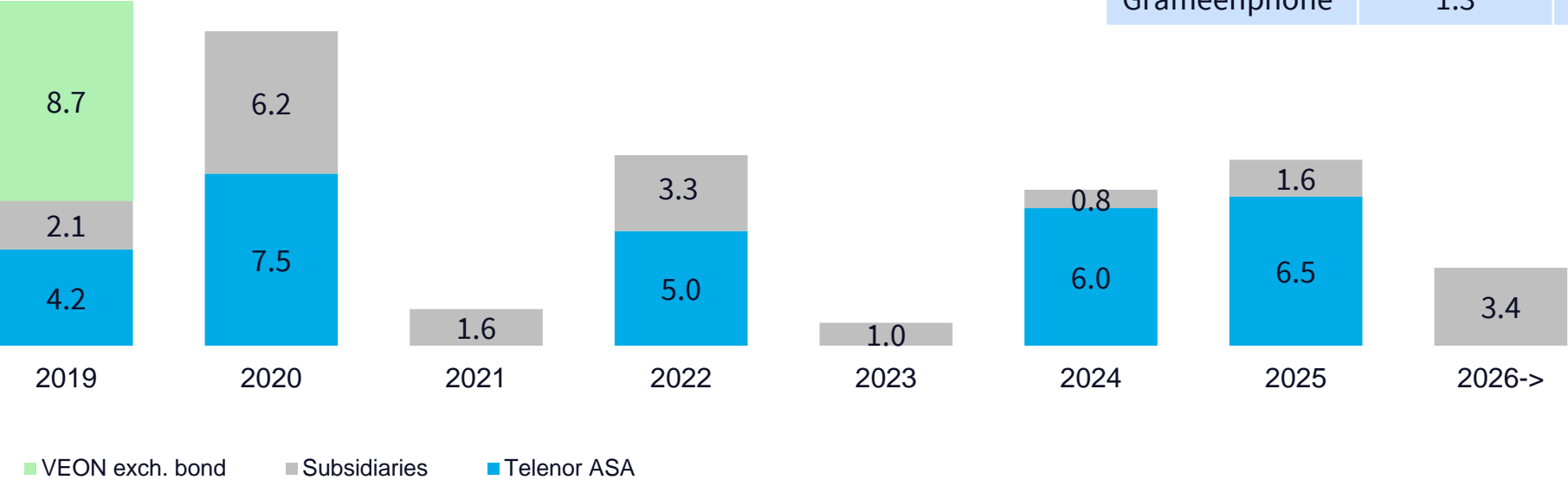
	Subscription & traffic revenues		EBITDA	
	Reported	Organic	Reported	Organic
Norway	-2.0 %	-2.0 %	-4.8 %	-4.8 %
Sweden	-7.0 %	-2.2 %	-6.9 %	-2.1 %
Denmark	1.0 %	-0.8 %	80.3 %	84.0 %
Thailand	-1.8 %	-5.4 %	-31.9 %	-35.1 %
Malaysia	1.0 %	-2.0 %	5.5 %	2.3 %
Bangladesh	12.7 %	11.3 %	15.4 %	13.9 %
Pakistan	-8.1 %	12.0 %	-6.7 %	14.7 %
Myanmar	-21.7 %	-11.3 %	-47.0 %	-38.0 %
Broadcast*	-5.7 %	-4.0 %	-7.5 %	-7.0 %
<b>Telenor Group</b>	<b>-2.1 %</b>	<b>-0.7 %</b>	<b>-4.4 %</b>	<b>-2.9 %</b>

\*Revenues from Canal Digital DTH





# Debt maturity profile (NOK bn)



Net debt in partly-owned subsidiaries:

NOK bn	Q4 2018	Q4 2017
Digi	4.8	4.3
dtac	18.6	5.9
Grameenphone	1.3	0.7



# Balance sheet and key ratios

	31 Dec 2018	31 Dec 2017
Total assets	191.3	201.8
Equity attributable to Telenor ASA shareholders	49.4	57.5
Gross debt*	71.7	74.3
Net debt	39.5	46.9
Net debt/EBITDA	0.9	1.0
<b>Return on capital employed**</b>	<b>16%</b>	<b>13%</b>

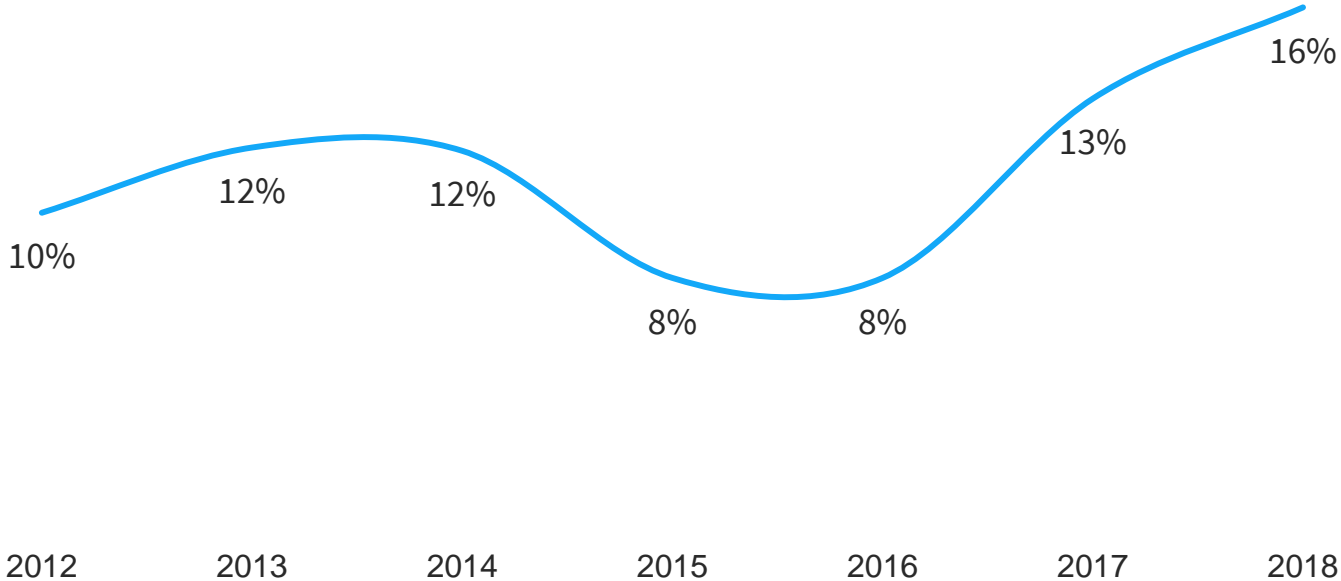
\*) Gross debt = current interest bearing liabilities + non-current interest bearing liabilities

\*\*\*) Calculated based on an after tax basis of the last twelve months return on average capital employed



# Return on capital employed

Return on capital employed



# Net debt reconciliation

<b>NOK bn</b>	<b>Q4 2018</b>	<b>Q4 2017</b>
Current interest bearing liabilities	15.7	22.7
Non-current interest bearing liabilities	55.9	51.6
Licence obligations	(11.8)	(2.3)
Debt excluding licence obligations	59.8	72.0
Cash and cash equivalents	(18.5)	(22.5)
Investments in bonds and commercial papers	(0.4)	(0.8)
Fair value hedge instruments	(1.5)	(1.8)
<b>Net interest bearing debt excl. licence obligations</b>	<b>39.5</b>	<b>46.9</b>

